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Australia

Agricultural Situation

Ag DownUnder Vol. 15

2006

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Report Highlights:

- Additional Drought Aid Proposed
- Sugar Production Down for 2006/07
- AWB Controversies Diminish Farmer Support
- Fruit Growers Receive \$A4.9 Million in Aid
- First Shipment of Australian Citrus to China
- Lower Prices Result in Decline in Wine Exports
- Beef Exports Continued Strong in August
- Government Response to the Corish Report
- Updated Exporter Guide Available

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1]
[AS]

Additional Drought Aid Proposed

Agriculture Minister McGauran will seek cabinet approval to give more farmers access to drought relief payments and extend the length of support for farmers, as much of Australia experiences its driest season on record. Prime Minister Howard has assured farmers that income support and interest rate subsidies would continue for the duration of the drought. The National Farmers Federation and the government are also looking to move the focus of assistance toward drought preparedness, reportedly to include proposed measures such as matching funds for putting aside fodder and building extra water storage. Currently, farmers with off-farm assets worth more than \$A446,000 are ineligible for interest rate subsidies and families with off-farm income of more than \$A46,000 cannot receive support. (Source: The Australian Financial Review, October 11-12, 2006)

Sugar Production Down for 2006/07

The 2006/07 sugar crop was adversely impacted by tropical cyclone Larry prior to harvest commencing (March 2006), the sugar smut outbreak (June 2006) and continued heavy rainfall during the harvest period slowed the harvest process and caused Commercial Cane Sugar (CCS) content to fall. Post forecasts lower production (to 4.95 MMT (IPS)) and exports in CY 2006/07. (For further information see GAIN Report AS6061)

AWB Controversies Diminish Farmer Support

Press reports indicate that anticipated poor crop harvests and an expectation that the 2007 season will prove exceptionally dry has fueled resentment of growers who fear their returns may be threatened by AWB's potential legal and tax liabilities following the final report of the Cole inquiry. Grain industry insiders further suggest there were strong objections over the once confidential "break fee", the service contract AWB Limited has with its AWB International subsidiary, which holds the single desk license. Under the terms of the existing contract, farmers would be liable to compensate the company for changes to the single desk. The contract is currently being renegotiated and it is likely the break fee clause will be removed when the new agreement is disclosed later this month. The final report of the Cole inquiry is due on November 24. (Source: The Australian Financial Review, October 9, 2006)

Fruit Growers Receive \$A4.9 Million in Aid

The Victorian government has announced a \$A4.9 million package for frost-affected stone fruit and pear producers in the Goulburn Valley. Current estimates put the damage from the September 25 frost at around \$A75 million, half of the Goulburn Valley's entire crop. The region accounts for about 85 percent of Australia's pear production and 75 percent of its apricot production. The frost also caused losses to cherries and wine grape production. (Sources: The Weekly Times, October 4, 2006; The Land, October 5, 2006)

First Shipment of Australian Citrus to China

Agriculture Minister McGauran has announced that the recent finalization of export protocols for China for the sale of Australian citrus, had paved the way for the first shipment from the Riverina to land there this week. The 22 MT consignment of oranges left Griffith on September 6 after meeting Chinese quarantine requirements regarding Fullers rose weevil. And while frost damage has reduced the current citrus crop by 20-40 per cent limiting export opportunities, the Chinese market is estimated to be worth a potential \$50 million a year to the local industry. (Farmonline October 12, 2006)

Lower Prices Result in Decline in Wine Exports

Wine exports have fallen in value for the first time in 15 years as the effect of the grape oversupply slashed selling prices in key overseas markets. The Australian Wine and Brandy Corporation (AWBC) data show that export volumes increased by 7 per cent to 738 million liters for the year to September 30. However, the average price per liter fell by 7 per cent over the same period, resulting in an overall 0.6 per cent decline in the value of exports to \$A2.78 billion. This is the first slide in export value since AWBC began keeping records of Australia's wine trade performance in 1991. AWBC attributes the growth in bulk wine shipments was the result of opportunistic sales of excess wine supply, retailers buying bulk wine to sell under their own in-house labels and the lower cost of bottling Australian brands overseas.

Britain remained Australia's largest wine export customer, despite a 3 percent decline in value to \$A946 million. Higher bulk shipments to the U.S. drove an 8 per cent increase in volume, but the value of exports was down 2 per cent to \$A892 million as average selling prices slumped by 10 per cent to \$A4.22/liter. Volume of exports to China rose sharply, up fivefold to 16.3 million liters from the previous year, raising China into seventh place among Australian wine export markets. (Sources: The Australian, October 10, and October 10 Farmonline)

Beef Exports Continued Strong in August

Australian beef and veal exports during August were valued at \$A431 million, a 15 percent increase from August 2005 levels. According to the Australian Bureau of Statistics (ABS) data, the rise for the month largely reflected an increase in the volume shipped, rather than any price surge. Exports to Korea were particularly strong, up 44 percent in value, to total \$A94 million. (Source: Meat and Livestock Australia)

Government Response to the Corish Report

On October 3, 2006, Agriculture Minister Peter McGauran released the Australian Government's response to the Corish Report, a February 2006 report on future directions for Australian agriculture that proposed progressive actions on trade, biotechnology and quarantine. The Government has accepted 35 recommendations outright and will consider a further 17 in the lead up to the 2007 budget. The Government's response will also include an agriculture and food policy statement to be released early in 2007. (For further information see GAIN report AS6062).

Updated Exporter Guide Available

The Exporter Guide for Australia has been updated. This report contains information on the Australian market for interested U.S. exporters and contains: an overview of the Australian marketplace; business tips; market structure and trends; best product prospects; and information on Australia's major trade show – Fine Food. (For further information see GAIN report AS6060).

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:
<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

Report Number	Title of Report	Date
6016	Cyclone Larry Affects Sugar Industry	03/21/06
6017	Grain Annual	03/21/06
6018	Fortification of Cereal-Based Beverages	03/22/06
6019	Ag Down Under Vol. 5	03/24/06
6020	Stone Fruit Annual	04/03/06
6022	Grains Week Features 'Discussion Paper' Proposing Radical Changes to Single Desk	04/12/06
6023	Sugar Annual	04/13/06
6024	Ag Down Under Vol. 6	04/21/06
6025	Grain Quarterly Lockup	05/01/06
6026	Ag Down Under Vol. 7	05/09/06
6027	Cotton & Products Annual	05/15/06
6028	Justification for Requirement for Wood Packaging Material to be Bark Free	05/15/06
6030	Review of Permitted Seeds List for Australia	05/19/06
6031	Ag Down Under Vol. 8	05/19/06
6032	Dairy Semi Annual	05/30/06
6033	Wheat Australia sells 350,000 MT to Iraq	05/31/06
6034	Ag Down Under Vol. 9	06/02/06
6035	Australia Actively Pursuing FTAs	06/07/06
6036	Wine Annual	06/08/06
6037	Sugar Smut Outbreak in Queensland	06/20/06
6038	Ag DownUnder Vol. 10	06/23/06
6039	Agricultural Biotechnology Annual	06/28/06
6040	Worst Frost in 20 Years Affects Australian Citrus Production	06/27/06
6041	Poultry Meat IRA Released	06/28/06
6042	Australian FTA with Gulf States	06/30/06
6045	Citrus Update	07/17/06
6046	Ag DownUnder Vol. 11	07/21/06
6047	Grain Quarterly Update	08/01/06
6048	Food & Agriculture Import Regulations & Standards	08/03/06
6051	Australia Launches Strategy to Gain Access to Southern Indian Food Market	08/10/06
6052	Ag DownUnder Vol. 12	08/25/06
6053	Cotton Quarterly Update	08/31/06
6054	Drought Update	09/05/06
6056	Ag DownUnder Vol. 13	09/08/06
6057	Livestock Annual	09/13/06
6058	Ag DownUnder Vol. 14	09/26/06
6059	Export Certificate Report	09/27/06
6060	Exporter Guide	09/29/2006
6061	Sugar Semi-Annual	09/29/2006
6062	Corish Report: Australian Government Response	10/04/2006